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SUBJECT: Jordan's Pharmaceutical Industry Increasing Exports 50
Percent in 2007

Refs: A) Amman 4074
B) 06 Amman 2468

¶1. Summary: Pharmaceuticals continue to play a key role in bolstering Jordan's economy, particularly exports. During the first ten months of 2007, pharmaceutical exports increased almost 50 percent, reaching JD 253 million (\$358 million). With over 40 years experience in the region and growing sophistication, this industry is ripe for more linkages with U.S. manufacturers. End Summary.

Sector Overview

¶2. Jordan has 17 registered pharmaceutical companies that mainly produce branded generic drugs in various dosage forms, including solids, liquids, aerosols, and injectables. All Jordanian pharmaceutical companies are privately-owned and operated. Many produce licensed products from multi-national companies, and a number have secured approvals for some of their products from health authorities in the U.S., UK, Germany, and Sweden.

¶3. The largest drug company in Jordan, Hikma Pharmaceuticals, reported revenues of \$225 million during the first half of 2007, up 45 percent from the first half of 2006 (Ref B). The company attributed the growth to strong performances in branded and injectable products and acquisitions in the region and Europe, including Alkan Pharmaceuticals in Egypt. On December 10, Hikma continued its expansion plans by acquiring Arab Pharmaceutical Manufacturing Company (APM), the third largest pharmaceutical company in Jordan, for JD 116 million (\$160 million). Hikma expects to assume control of APM by the end of 2007, which will increase its market share in Jordan to approximately 12 percent.

¶4. Although the Jordanian pharmaceutical industry comprises only 0.05 percent of the world pharmaceutical market, according to Awarq Investments, it is a key contributor to Jordan's economy. The total value of domestic pharmaceutical production reached JD 255 million (\$360 million) in 2005. The industry directly employs 4,000 people and indirectly employs another 4,000 across pharmaceutical firms and institutions, including manufacturing, research and wholesale. The Jordanian Association of Pharmaceutical Manufacturers (JAPM) also reports that employees in this sector earn the highest average monthly wages; JAPM is currently doing a cross-sectoral survey and comparing the average salary with that in other countries.

Export-Driven Industry

¶5. Jordan's pharmaceutical industry is primarily export-driven, as the country's third largest export earner after apparel and fertilizer. Sixty to seventy percent of Jordan's pharmaceutical production is exported to over 60 countries worldwide, with the largest market being Saudi Arabia, followed by Algeria.

¶6. In 2001 and 2002, Iraq was actually Jordan's second top export destination for its pharmaceutical products, but Jordan lost the market in 2003 due to the war. Exports to Iraq fell sharply from JD 28 million (\$40 million) in 2002 to JD 7 million (\$10 million) in ¶2003. Although Jordan increased exports to Iraq slightly in 2004 and 2005, they slipped back down again to JD 7 million in 2006.

¶7. To make up for the lost Iraqi market, Jordan began to look for and enter new markets, particularly in the EU and the U.S., in part due to the adoption of stronger intellectual property protection laws. In 2006, pharmaceutical exports increased 23 percent to JD 210 million (\$297 million), including JD 3.2 million (\$4.5 million) in exports to the U.S., according to the Department of Statistics (DOS).

¶8. During the first ten months of 2007, DOS reported that Jordan exported JD 253 million (\$358 million), representing a 48.9 percent increase over the same period last year. According to USITC, Jordanian pharmaceutical exports to the U.S. increased 34.7 percent to \$3.3 million from January to October 2007. JAPM expects total pharmaceutical exports from Jordan to reach \$500 million by the end of the 2007.

¶9. Despite export expansion, Awraq notes that the local market is still reliant on imports. Locally manufactured pharmaceuticals

cover just 30 percent of the local market's demand, as they are unable to compete with the greater variety offered by international drug makers. According to DOS, Jordan imported pharmaceuticals valued at JD 170 million (\$240 million) in 2006, including JD 13.3 million (\$18.8 million) from the U.S. The EU and Switzerland have been leading suppliers.

Abiding by International IPR Standards

¶10. Jordan put more stringent patent requirements on its local companies by acceding to the Trade Related Aspects of the Intellectual Property Rights (TRIPS) patent law and signing onto IPR provisions in the U.S.-Jordan Free Trade Agreement. Although some continue to argue that tough IPR laws hurt the domestic industry, the growth of the sector and the number of Jordanian companies applying for patents suggest otherwise. For example, Jordan Pharmaceutical Manufacturing, a limited private company valued at \$17 million, now owns over 52 new patents. Adherence to IPR regulations has also facilitated licensing agreements for Jordanian companies like Hikma and Dar al-Dawa to produce products under license for multinational innovator companies. The local market has also attracted more research and clinical trial companies, such as International Pharmaceutical Research Organization and Triumpharma Drug Delivery Innovations.

Potential for Growth

¶11. Jordan's pharmaceutical industry now has a competitive advantage of having developed a reputation for delivering high quality products. Its health care sector is also considered one of the best in the region, attracting many Gulf visitors (Ref A). As the health field grows, so will the pharmaceutical sector.

¶12. Hikma is often regarded as the example of how to successfully export to the U.S., as it boasts of U.S. FDA approval for virtually all of its manufacturing plants - from Saudi Arabia to the United States, where it owns West-Ward Pharmaceuticals based in Eatontown, New Jersey. Hikma Vice-Chairman Mazen Darwazah told Econoff December 10 that Jordan's pharmaceutical companies are ripe for expanding further into the American market, but they need to be better linked with distributors in the U.S. JAPM agreed on the

importance of such matchmaking, but also noted that the smaller Jordanian pharmaceutical manufacturers are not willing to invest the \$300,000 upfront to file for U.S. FDA approval. Darwazah commented that such business attitudes are short-sighted.

¶13. Darwazah added that marketing, which is not in the Jordanian business culture, is another weak area that needs to be addressed in order for the industry to grow. Given the focus on generics, Jordan also has not heavily invested in research and development, which has generally hovered around 5 percent of total sales (Ref B). Consolidation among the pharmaceutical companies could further help this sector by growing economies of scale and maintaining a strong position in the region.

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